

REPORT TO THE POLICE AND CRIME COMMISSIONER FOR BEDFORDSHIRE

Date	16 March 2015	Report No	
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Title
Policy for Reserves

Purpose
To agree the Policy for the use of Reserves for the Police & Crime Commissioner (PCC) of Bedfordshire.

Executive Summary
<p>Reserves are maintained as a matter of prudence. They enable the organisation to provide for cash flow fluctuations and unexpected costly events and thereby help protect from overspending the annual budget, should such events occur. Reserves for specific purposes may also be maintained where it is likely that a spending requirement will occur in the future.</p> <p>This report satisfies the PCC's financial regulations in that the PCC's Chief Finance Officer is required to advise the PCC on reasonable levels of balances and reserves and the PCC is required to approve a policy on reserves, including the minimum acceptable level of general balances.</p>

Recommendations
That the Policy for Reserves be approved.

Background/Supporting papers
PCC's Financial Regulations

Contribution to the Police and Crime Plan
An effective internal financial control framework is an imperative for the Commissioner to ensure that he is gaining value for money in the use of public funds and an important part of that framework is to have a policy for the use of reserves.

Report

1 Introduction

Since its inception the Office of the Police and Crime Commissioner (OPCC) has held a number of earmarked reserves as well as the Police Fund. The reserves and the rationale for holding them and their prospective use are as follows:

2 General Reserves

The PCC will hold a general reserve of between 2% & 5% of the net revenue expenditure.

- *Police Fund* - It was determined by the Police Authority in February 2011 that it would hold a general reserve of at least 3.5%, this decision has previously been endorsed by the PCC. This sum will be influenced by the resourcing and/or service risks profiles over the period of the Medium Term Financial Plan and will be subject to review by the Chief Finance Officer.

The Police Fund will be used for extraordinary expenditure arising from exceptional circumstances that have not and cannot be funded from within the PCC's and Force's agreed revenue budgets and capital programme.

3. Earmarked Reserves

The PCC holds a number of earmarked reserves, as shown below. The levels of reserves are formally reviewed at budget setting and outturn stages of the financial year, but are informally reviewed as part of the on-going medium term forecasting process:

- *Performance and Change Reserve* – this reserve is to support the delivery of the Medium Term Financial Plan and associated savings plans. The criteria for using this reserve is that it must be possible to demonstrate how it aids the delivery of these savings through;
 - assisting with pump priming collaborations;
 - assisting with redundancy costs and other set up costs arising from restructuring;
 - performance and pump priming initiatives that reduce demand, enabling the successful management of change;
 - invest to save opportunities.

Use of this reserve will not involve on-going revenue expenditure that would normally be funded through the Revenue Budget and will be restricted to clearly targeted one-off items that demonstrate a return on the investment aligned with the Strategic Plan.

Any decisions to use this reserve should be taken while fully cognisant of the latest four year forecast of pressures on this reserve and the proposal should set out the risks that will be mitigated by the investment and an indication of the improvement that will be realised.

- *Devolved Budgets Reserve* – a reserve against which approved carry forwards will be held at the end of the financial year prior to them being added to the ensuing year's budget.
- *Budget Reserve* – a reserve to help finance the revenue budget over the period of the medium term plan.
- *Capital Expenditure Reserve* – this reserve will be a revenue reserve but primarily utilised for funding one-off expenditure associated with the approved capital programme of the PCC and supporting the delivery of his Estates Strategy.
- *Insurance Reserve* – an insurance reserve will be held by The PCC to fund self-insurance liabilities arising from increases in insurance excesses and aggregate stop losses. The level of this reserve will be subject to regular fund adequacy audits by external advisers, as before.

Authority to utilise reserves will be sought from the PCC Strategic Board and will require the approval of the PCC's Chief Finance Officer.

4. Recommendation

That the Policy for Reserves is approved.

<p>Public Access to Information</p> <p>Information in this report is subject to publication under the Freedom of Information Act 2000 and other legislation. Any information that should not be made publically available should be included in an appendix to this report and the reason for restriction given.</p> <p>Is any 'restricted' information appended to this report? No If 'yes' please advise reason for restriction.</p>

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